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Message Text

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ACTION EB-03

INFO OCT-01 EUR-10 EA-07 ISO-00 CIEP-01 STR-01 SS-14

TRSE-00 OMB-01 NSC-07 PRS-01 COME-00 FRB-01 AGR-03

FEA-01 INT-01 SCI-03 H-01 NEA-06 CEA-01 SWF-01

CIAE-00 INR-10 NSAE-00 RSC-01 DRC-01 /076 W
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R 101905Z OCT 74
FM AMEMBASSY PARIS
TO SECSTATE WASHDC 3114
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
AMEMBASSY THE HAGUE
AMEMBASSY LONDON
AMEMBASSY LUXEMBOURG
AMEMBASSY OTTAWA
AMEMBASSY ROME
AMEMBASSY TOKYO
USMISSION EC BRUSSELS

C O N F I D E N T I A L SECTION 01 OF 03 PARIS 24055

E.O. 11652: GDS
TAGS: ETRD, OVIP (EBERLE, WILLIAM D.)
SUBJECT: AMBASSADOR EBERLE'S PRESIDENTIAL ECONOMIC MISSION TO FRANCE

1. SUMMARY: AMBASSADOR EBERLE'S PRESIDENTIAL ECONOMIC MISSION TO FRANCE WAS EMINENTLY SUCCESSFUL. IT FULLY ACHIEVED THE PRESIDENT'S OBJECTIVES OF DEMONSTRATING THE DESIRE TO CONSULT OUR TRADING PARTNERS ON THE DEVELOPMENT OF OUR ECONOMIC PROGRAMS; OUR CONCERN TO REASSURE THESE PARTNERS THAT THIS PROGRAM WILL NOT DAMAGE THEIR ECONOMIES; AND OUR DETERMINATION TO SOLVE OUR PROBLEMS IN A SPIRIT OF INTERNATIONAL COOPERATION
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AND OPENNESS. THE FRENCH OFFICIALS WITH WHOM HE MET

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(ECONOMY AND FINANCE MINISTER FOURCADE, FOREIGN MINISTER SAUVAGNARGUES, AND BROSSOLETTE, SECRETARY GENERAL OF THE OFFICE OF THE PRESIDENT) WERE APPRECIATIVE OF THE PRESIDENT'S INITIATIVE AND IMPRESSED BY THE SCOPE OF THE PROGRAM AND THE REAFFIRMATION OF THE IMPORTANCE WE ATTACH TO INTERNATIONAL COOPERATION AND THE MAINTENANCE OF OPEN MARKETS. THEY WERE PARTICULARLY INTERESTED IN OUR PROGRAM TO ACHIEVE A REDUCTION IN OUR OIL IMPORTS. END SUMMARY.

2. TO EACH OF THE FRENCH OFFICIALS, AMBASSADOR EBERLE SUMMARIZED THE HIGHLIGHTS OF THE PRESIDENT'S PROGRAM, EXPLAINING THAT IT WAS DESIGNED TO MODERATE INFLATION, ALLEVIATE THE ADVERSE IMPACT OF UNEMPLOYMENT ON INDIVIDUALS AND LOCAL ECONOMIES, AND PROMOTE A RETURN OF NORMAL GROWTH. HE DESCRIBED IT AS NEUTRAL OR MILDLY POSITIVE ON GROWTH. HE STRESSED OUR DETERMINATION TO INCREASE FOOD PRODUCTION IN ORDER TO CONTINUE MEETING THE REQUIREMENTS OF COOPERATING COUNTRIES, OUR COMMITMENT TO MAINTAIN OPEN MARKETS, OUR CONCERN TO AVOID EXCESSIVELY DEFLATIONARY ECONOMIC MEASURES WHICH WOULD DAMAGE OUR TRADING PARTNERS, AND OUR DESIRE TO WORK CLOSELY WITH OUR FRIENDS AND ALLIES IN WAGING THE FIGHT AGAINST INFLATION. HE SAID WE WELCOMED THE REACTIONS OF OUR FRIENDS ABROAD AS WE SET ABOUT PUTTING THE PROGRAM INTO EFFECT.

3. FOURCADE EXPRESSED WARM APPRECIATION FOR THE PRESIDENT'S INITIATIVE AND FOR AMBASSADOR EBERLE'S BRIEFING. HE SAID HE WAS VERY IMPRESSED WITH THE PRESIDENT'S PROGRAM. HE EXPRESSED PARTICULAR INTEREST IN PROSPECTS FOR THE TRADE BILL AND ASKED WHAT THE OUTLOOK WAS FOR OUR TRADE BALANCE. EBERLE REPORTED THE AGREEMENT REACHED BETWEEN SECRETARY KISSINGER AND KEY SENATORS ON THE SOVIET PROBLEM THE NIGHT BEFORE AND SAID HE WAS NOW CONFIDENT THE SENATE WOULD PASS THE BILL AFTER THE ELECTION RECESS. FOURCADE SAID THIS WAS VERY GOOD NEWS INDEED. EBERLE SAID WE WERE EXPECTING A TRADE DEFICIT OF 5 TO 8 BILLION DOLLARS IN 1974 AND 10 TO 16 BILLION IN 1975. HE SAID WE EXPECTED THE ECONOMY TO CONFIDENTIAL

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REMAIN FLAT UNTIL MID-1975 AND THEN BEGAN AN UPTURN REACHING A RATE OF 4 PERCENT GROWTH BY THE END OF THE YEAR. FOURCADE ASKED IF WE INTENDED TO LOOSEN MONETARY RESTRAINT TO ACHIEVE THIS OBJECTIVE AND WAS SURPRISED WHEN EBERLE SAID THAT WE DID NOT EXPECT TO LOOSEN IT FROM THE LEVEL THAT HAD BEEN MAINTAINED OVER THE LAST YEAR ALTHOUGH THERE MIGHT BE SOME LOOSENING FROM THE HIGH LEVEL OF RESTRAINT FOLLOWED IN THE MOST RECENT

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PERIOD. FOURCADE NOTED WITH SATISFACTION EBERLE'S ASSURANCES ON INCREASED AGRICULTURAL PRODUCTION AND SAID HE WAS HAPPY TO KNOW FRANCE COULD CONTINUE TO COUNT ON U.S. AGRICULTURAL SUPPLIES.

4. FOURCADE EXPLAINED THE FRENCH ANTI-INFLATION TAX WHICH THE COUNCIL OF MINISTERS HAD APPROVED THAT AFTER-NOON (EMBASSY WILL REPORT DETAILS WHEN AVAILABLE). HE CONFIRMED THAT FRANCE INTENDED TO HOLD TO THE 51 BILLION FRANC CEILING ON OIL IMPORTS FOR 1975 EVEN IF PRICES ROSE. HOWEVER, HE SAID HE EXPECTED PRICES TO STAY ABOUT

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FEA-01 INT-01 SCI-03 H-01 NEA-06 CEA-01 SWF-01

CIAE-00 INR-10 NSAE-00 RSC-01 DRC-01 /076 W
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R 101905Z OCT 74
FM AMEMBASSY PARIS
TO SECSTATE WASHDC 3115
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
AMEMBASSY THE HAGUE
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THE SAME. HE PROMISED TO STUDY THE TEXT OF THE PRESIDENT'S MESSAGE AND THE ACCOMPANYING FACT SHEET AND TO PASS ON TO US ANY REACTIONS HE MIGHT HAVE. HE ASKED EBERLE TO EXPRESS TO PRESIDENT FORD AND SECRETARY SIMON HIS APPRECIATION OF THEIR INITIATIVE IN INFORMING AND CONSULTING WITH FRANCE.

5. SAUVAGNARGUES ALSO EXPRESSED APPRECIATION TO PRESIDENT FORD FOR WISHING TO INFORM GOF. HE SAID IT WAS IN THE INTEREST OF ALL THAT THE U.S. WIN ITS FIGHT AGAINST INFLATION AND WELCOMED OUR ASSURANCES OF CONFIDENTIAL

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COOPERATION. HE SAID THAT ON THE QUESTION OF ENERGY COOPERATION THE FRENCH AND U.S. GOVERNMENTS, CONTRARY TO THE PRESS, WERE NOT VERY FAR APART.

6. BRUNET ASKED ABOUT U.S. PLANS TO RESTRAIN ENERGY DEMAND AND REDUCE OIL IMPORTS FOR THE MEDIUM AND LONG-TERM AS WELL AS THE SHORT-TERM AND INQUIRED WHETHER PROJECT INDEPENDENCE REMAINED A VALID U.S. OBJECTIVE. EBERLE REFERRED TO PRESIDENTIAL DESIGNATION OF ROGERS MORTON TO BRING TOGETHER A TOTAL U.S. ENERGY PROGRAM WHICH HE EXPECTED WOULD BE READY AFTER THE FIRST OF THE YEAR. THIS WOULD INCLUDE THE PRESENT SHORT-TERM OBJECTIVES PLUS MEDIUM AND LONG-TERM. WHEN SAUVAGNARGUES APPEARED TO STRESS NUCLEAR ENERGY AS A PRINCIPAL SOURCE, EBERLE INDICATED THAT THE WHOLE RANGE OF ENERGY SOURCES -- NUCLEAR, SOLAR AND OTHER -- WOULD BE CONSIDERED. PROGRAM WAS TO BE READY WHEN CONGRESS RECONVENED IN 1975. EBERLE ALSO INFORMED FONMIN OF RECENT NEWS REGARDING A MAJOR OIL FIND ON SOUTHEAST COAST OF MEXICO, WHICH SOME THINK COULD BE EVEN LARGER THAN VENEZUELA. HE INDICATED THAT IF BORNE OUT THIS COULD HAVE MAJOR POSITIVE IMPACT ON U.S. ENERGY SITUATION. NANTEUIL, BRUNET'S DEPUTY, ASKED WHAT COURSE WE EXPECTED MTN NEGOTIATIONS TO TAKE. DID WE ENVISAGE A PRELIMINARY PHASE? EBERLE SAID WE HAD NO PRECONCEIVED IDEAS ON THIS POINT. HE EXPECTED NEGOTIATIONS TO BEGIN AFTER THE FIRST OF THE YEAR, PRECEDED BY A POSSIBLE MEETING IN DECEMBER TO LAY THE GROUNDWORK.

7. IN REPLY TO SAUVAGNARGUES' QUESTION ABOUT HOW WE COULD STOP OIL PRICES FROM RISING, EBERLE SAID WE HAD VERY LITTLE LEVERAGE. FIRST STEP WAS TO CUT BACK CONSUMPTION. AT SOME POINT THE CONSUMERS WOULD HAVE TO SIT DOWN WITH THE PRODUCERS TO EXPLAIN TO THEM THE DAMAGE THAT HIGH OIL PRICES WERE HAVING ON OUR ECONOMIES

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AND TO ATTEMPT TO PERSUADE THEM TO SHARE THE RISK OF RECYCLING TO COUNTRIES WITH LOW CREDIT-WORTHINESS. SAUVAGNARGUES SAID HE AGREED WITH THIS PARALLEL APPROACH, THAT IS, INITIATING MEASURES TO REDUCE CONSUMPTION AND THEN TO HAVE A STOCKTAKING MEETING. IT WAS IMPORTANT THAT THE CONSUMERS CONVINCE THE PRODUCERS THAT AN CONFIDENTIAL

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INCREASE IN PRICE WOULD BE DETRIMENTAL TO THE PRODUCERS THEMSELVES. WE MUST ALSO TRY TO NEUTRALIZE THOSE LIKE THE ALGERIANS, WHO SAY THERE IS A CONSUMER FRONT AND THAT THE CONSUMERS WANT WAR WITH THE PRODUCERS. JANUARY WAS APPROACHING AND HE WONDERED WHETHER WE SHOULD NOT PICK UP YAMANI'S PROPOSAL FOR A STOCKTAKING MEETING. EBERLE REPLIED THAT WE BELIEVED THAT A MEETING WITH THE PRODUCERS NEEDED CAREFUL PREPARATION AND PRIOR COORDINATION OF THE CONSUMERS' VIEWS.

8. BROSSOLETTE SAID THAT ON BEHALF OF PRESIDENT GISCARD HE WISHED TO THANK PRESIDENT FORD FOR SENDING THIS MISSION TO FRANCE. GISCARD APPRECIATED THE SPIRIT OF COOPERATION WHICH LAY BEHIND IT. HE SAID FRANCE BELIEVED THAT THE U.S. EXAMPLE OF EXPLAINING ITS ACTIONS TO THOSE WHO MIGHT BE AFFECTED BY THEM WAS ONE WHICH SHOULD BE FOLLOWED.

9. BROSSOLETTE ASKED WHETHER WE EXPECTED RESULTS IN OUR EFFORTS TO INCREASE FOOD PRODUCTION WITHIN A YEAR. SEEVERS OF CEA REPLIED IN THE AFFIRMATIVE. BROSSOLETTE SAID THIS ASSURANCE OF INCREASED FOOD PRODUCTION IN THE U.S. WAS IMPORTANT FOR THE ENTIRE WORLD.

10. BROSSOLETTE SHOWED SPECIAL INTEREST IN TWO AREAS, ENERGY AND INFLATION. ON ENERGY, HE SAID THAT SINCE THE U.S. WAS THE LARGEST IMPORTER AND CONSUMER, ANYTHING THE U.S. DID TO REDUCE IMPORTS WAS HELPFUL NOT ONLY FOR ITSELF BUT ALSO FOR THE REST OF THE WORLD. OUR ACTION TO CUT BACK IMPORTS MIGHT HELP BRING PRICES DOWN. HE HAD HOPED SOME MONTHS AGO THAT PRICES MIGHT COME DOWN THIS YEAR. THESE HOPES HAD BEEN DASHED BUT HE NOW

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HOPED THAT REDUCTION OF CONSUMPTION IN THE MEDIUM AND LONG-TERM WOULD LEAD TO STABILIZATION AND POSSIBLY EVEN REDUCTION OF PRICES. HE SAID FRANCE, UNLIKE THE U.S., COULD NOT INCREASE DOMESTIC PRODUCTION OF ENERGY. IT COULD ONLY REDUCE CONSUMPTION. IT WAS THUS VERY DEPENDENT ON THE ACTION OF OTHERS AND BELIEVED U.S. HAD PARTICULARLY LARGE POSSIBILITIES FOR INCREASING PRODUCTION. HE ASKED ABOUT PROSPECTS FOR PROJECT INDEPENDENCE. EBERLE REPLIED ALONG SAME LINES AS HE HAD TO BRUNET.

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11. THE SECOND MAIN AREA OF INTEREST FOR BROSSOLETTE WAS ANTI-INFLATIONARY MEASURES. HE WISHED US LUCK WITH

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THESE BUT SAID HE WAS NOT TOO SURE THEY WOULD WORK AND WE MUST NOT BE EITHER. THE MEASURES WERE WELL-TAKEN BUT THEY WERE ORTHODOX RATHER THAN REVOLUTIONARY MEASURES. EBERLE REPLIED THAT WE HAD WANTED TO BRING PRICE LEVELS DOWN GRADUALLY IN ORDER TO AVOID SEVERE DEFLATION WHICH WOULD CREATE PROBLEMS NOT ONLY IN THE U.S. BUT ABROAD. OUR GOAL WAS TO CREATE AN ANTI-INFLATIONARY PSYCHOLOGICAL CLIMATE AND START A DOWNWARD TREND. WE HOPED BY THE END OF 1975 TO BRING RATE OF PRICE INCREASES DOWN TO ABOUT 8 PERCENT.

12. HORMATS OF NSC STAFF ASKED IF BROSSOLETTE WAS SATISFIED WITH PRESENT FACILITIES FOR RECYCLING. BROSSOLETTE SAID HE WAS NOT BUT THAT WE HAD TO COPE WITH THE PROBLEM AS BEST WE COULD USING ALL CHANNELS AVAIL-ABLE. HE THOUGHT THE PRESENT MIX OF PRIVATE, GOVERN-MENTAL AND INTERNATIONAL AGENCY FACILITIES HAD WORKED SO FAR BUT HE WAS NOT SURE THAT THEY COULD CONTINUE TO DEAL ADEQUATELY WITH THE PROBLEM OVER THE NEXT TWO OR THREE YEARS.

13. EBERLE AGAIN EXPRESSED OUT COMMITMENT TO INTER-NATIONAL COOPERATION AND OPEN MARKETS AND BROSSOLETTE SAID THAT THIS WAS A MOST WELCOME AND IMPORTANT STATEMENT.

14. THIS REPORT WAS DRAFTED AFTER AMBASSADOR EBERLE'S DEPARTURE FROM PARIS AND WAS NOT CLEARED BY HIM.
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